

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 15, 2005

To: The Commission
(Meeting of April 21, 2005)

From: Delaney L. Hunter, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 1348 (Sharon Runner) Electricity: voluntary time-of-use tariff rates**
As Amended April 7, 2005

Legislative Subcommittee Recommendation: Support

Summary: This bill adds Section 761 to the Public Utilities Code to require the Commission to order its regulated electric utilities to file tariffs by March 1, 2006, that provide a voluntary time-of-use schedule, without a demand charge component, to all commercial or industrial customers with billed usage of less than 1,000 kilowatts for 3 consecutive months and that generates 25 percent or more of its electricity usage from solar or ultra-clean generation sources. AB 1348 expands net energy metering to ultra clean fossil fueled distributed generation and proposes a crediting mechanism for these customers.

The bill's intent is to make available voluntary time-of-use rate schedules, without demand charges, to all commercial and industrial customers under 1,000 kilowatt usage and expand net-metering to ultra-clean distributed generation. Time-of-use rates schedules may offer economic advantages for customers who can adjust the timing of their electric consumption into lower priced time periods. Offering net-metering time-of-use schedules to ultra-clean distributed generation and crediting production at the bundled time-of-use retail rate rewards private investments in ultra-clean technologies.

Division Analysis (Energy): Recommendation: Support if amended.

Suggested Amendments:

- The bill should be amended to affect Section 2827 of the P. U. Code (by adding Section 2827.1) rather than adding Section 761.

- The bill should be amended to require that every electrical corporation file the subject tariffs *in their upcoming revenue allocation and rate design proceedings* rather than by March 1, 2006 (as the bill currently reads).

Additional Suggested Amendments (OGA):

- The bill should be amended to limit the expansion of net metering to eligible customers that generation electricity using a solar energy system distributed generation (i.e., and not include “ultraclean and low-emission” distributed generation).

Analysis:

Pursuant to AB X1-29 (2001), all customers with electric loads of over 200 kilowatts of peak demand received real-time-pricing metering systems. CPUC Decision D.01-09-062 made time-of-use rate schedules mandatory for all customers who received the meters.

This bill would ensure that all commercial and industrial customers with usage of less than 1,000 kilowatts are offered a voluntary unbundled time-of-use tariff without a demand charge. Demand charges collect components of the utility’s revenue requirement. The time-of-use tariff options for all three investor-owned utilities presently available for customers above 500 kilowatts usage are demand metered and employ demand charges. There are optional time-of-use tariffs available to all commercial customers, subject to meter availability, with monthly demands exceeding 20 kilowatts.

The bill expands net metering and offers a time-of-use tariff rate to eligible distributed generation customers that generate electricity using solar or other ultra clean technologies, including fuel cells and micro turbines. The bill accomplishes this by adding P.U. Code Section 761. However, existing P.U. Code Section 2827 identifies eligible customers eligible for net metering and includes solar generating facilities in this definition. For this reason, it would be more appropriate for the bill to amend P.U. Code Section 2827.

Delaying the implementation of tariffs proposed in the bill to the individual electric utility forthcoming revenue allocation and rate design proceeding would provide utilities and interested parties an opportunity to comprehensively examine and litigate economically efficient and revenue neutral tariffs. The recommended revenue allocation and rate design proceeding (for this analysis to be completed in) is the 2006 Rate Design Window Application for San Diego Gas and Electric Company, Phase 2 of Southern California Electric Company’s 2006 General Rate Case, and Phase 2 of Pacific Gas and Electric Company’s 2007 General Rate Case. Such proceedings provide an opportunity to adjust electric revenue allocations and rates toward cost-based levels. An alternative is to order electric utilities to file a separate application addressing the provisions of this bill with the Commission by March 1, 2006 to propose tariff options.

Summary of analysis:

- AB 1348 expands time-of-use rate options for commercial and industrial customers under 1,000 kW usage.
- AB 1348 offers alternatives to existing time-of-use rate options through the removal of the demand charge component of the tariff.
- Revenue allocation and rate design proceedings present opportunities for comprehensive review of retail electric rates.
- The voluntary TOU tariffs ordered in AB 1348 must be revenue-neutral in comparison to existing TOU and non-TOU tariffs to limit free-ridership.
- Service on time-of-use tariffs is mandatory for customers with electric loads over 200kW.
- Customers that received ABX1-29 meters are required to take service on a TOU tariff.
- P. U. Code Section 2827 addresses net metering for eligible customer generators.
- P. U. Code Section 2867 identifies solar customer generators as eligible for net metering.
- This bill would expand net metering to fossil fueled distributed generation.

LEGISLATIVE HISTORY

Section 14 d. 4 (B) of ABX1-29, signed into effect by Governor Davis in 2001 allocated \$35 million to the California Energy Commission (CEC) to provide time-of-use (TOU) or real-time-pricing meters for customers whose usage is greater than 200 kilowatts.

In Decision (D.) 01-09-062, the Commission clarified that interval metering is mandatory for customers with electric loads over 200kW, adopted default TOU tariffs, and required customers receiving ABX1-29 meters to take TOU service.

STATUS

Scheduled to be heard in Assembly Utilities and Commerce Committee on April 18, 2005.

SUPPORT/OPPOSITION

Support:

Antelope Valley Fairground (sponsor), Planning and Conservation League, Sharp Solar Systems, Vote Solar

Opposition:

Southern California Edison, Pacific Gas & Electric

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BILL LANGUAGE:

BILL NUMBER: AB 1348 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 7, 2005

INTRODUCED BY Assembly Member Sharon Runner

FEBRUARY 22, 2005

An act to add Section 761 to the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1348, as amended, Sharon Runner. Electricity: voluntary time-of-use tariff rates.

Existing law authorizes the Public Utilities Commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires electrical corporations furnishing electricity to an agricultural producer to prepare and file tariffs providing for optional off-peak demand service, including the availability of time-differentiating meters or other measurement devices.

This bill would require the commission to require every electrical corporation to file tariffs by March 1, 2006, that provide a voluntary unbundled time-of-use tariff rate, as defined, for eligible customers, as defined.

Under existing law, a violation of the Public Utilities Act or an order or direction of the commission is a crime.

The provisions of this bill would be part of the act and an order or other action of the commission would be required to implement its provisions. Because a violation of the bill's provisions or of an implementing order or decision of the commission would be a crime, this bill would impose a state-mandated local program by creating new crimes.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares that voluntary time-of-use rates for commercial and industrial customers is one means to reduce electricity consumption during periods of peak demand, to reward private investment in solar and other renewable energy technologies, to stabilize California's electrical infrastructure, reduce air pollution, increase energy independence, and enhance the diversification of California's energy mix.

SEC. 2. Section 761 is added to the Public Utilities Code , to read:

761. (a) As used in this section, the following terms have the following meanings:

(1) "Eligible customer" means a commercial or industrial customer of an electrical corporation with a billed electricity usage of less than 1,000 kilowatts for three consecutive months ~~or~~

and a commercial or industrial customer that generates 25 percent or more of the electricity used by the customer from a solar energy system or other ultraclean and low-emission distributed generation source.

(2) "Solar energy system" means a photovoltaic solar collector or other photovoltaic solar energy device that has a primary purpose of providing for the collection, and distribution of solar energy for the generation of electricity.

(3) "Ultraclean and low-emission distributed generation" means an electricity generation source that uses technology that meets the definition of an "ultra-clean and low-emission distributed generation" in subdivision (a) of Section 353.2.

(4) "Unbundled time-of-use tariff rate" means a rate that allocates the cost of electricity and distribution costs on a per kilowatthour basis for different time periods, without a demand charge.

(b) The commission shall require that every electrical corporation by March 1, 2006, file tariffs that provide a voluntary unbundled time-of-use tariff rate for eligible customers *that shall be net revenue neutral on a per kilowatthour basis* .

(c) Eligible customers that elect to take service under a voluntary time-of-use tariff rate of an electrical corporation shall have a meter that measures electricity usage on a real time basis.

(d) Eligible customers that generate electricity using a solar energy system or using ultraclean and low -emission distributed generation are eligible for net energy metering. Eligible customers that generate electricity using a solar energy system or using ultraclean and low-emission distributed generation shall have a metering system capable of separately measuring electricity flow in both directions. Eligible customers that generate electricity using a solar energy system or using ultraclean and low-emission distributed generation shall be credited for the electricity and distribution components of the time-of-use tariff rates, for the net amount of electricity contributed during periods when the eligible customer contributes electricity to the electrical distribution system , *up to the limits established by the commission in an approved net meter ing tariff* .

SEC. 3.

No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.